

May 20, 2014

Mr. Barry F. Mardock  
Deputy Director  
Office of Regulatory Policy  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, VA 22102-5090

Dear Mr. Mardock:

We believe that a solid set of Standard of Conduct (SOC) rules and a defined Code of Ethics are essential to building a business foundation based on trust and integrity. We further believe that we already have in place today a sufficient set of rules and regulations that govern this area, and when followed, result in the fostering and maintenance of the integrity of our business and our name.

Here at Premier Farm Credit, we believe that we serve as an example of the effectiveness of the present requirements. Standards of conduct are much more than a set of rules to abide by, they speak to a culture of honesty and integrity within those entrusted to manage our Association. We firmly believe we have accomplished this, despite the fact that we have a small, truly agricultural territory in which our members and Board members do conduct business with one another. Yet, we have not encountered issues that would constitute a conflict of interest that could not be addressed and managed under the existing regulations. We believe this is true as we have an established culture of honesty and integrity in our Association.

Given our experience, we are left to wonder why FCA feels there is a need to establish a stricter, more onerous, set of rules. It would seem to us that if a problem exists, it is not caused by the existing regulations, but rather the lack of adherence to these standards.

One of the main purposes for standard of conduct rules, as we view it, is to ensure that conflicts of interest are avoided. Conflicts of interest can lead to one questioning the veracity of a given transaction and its impact on how one views the greater image of the Association as a whole.

We feel that an explanation of the role and responsibilities of our Board would be helpful in helping FCA to understand that conflicts of interest would be an extremely rare occurrence in transactions between our members and members of our Board, as well as our agents.

At Premier Farm Credit, and, we assume in most Associations today, the Board is not involved in actions regarding individual members, or their loans. The Board does not approve loans, servicing actions, foreclosures or interest rates. The Board is not in any way involved in the decision making process regarding an individual or a loan.

The Board does have significant influence and approval authority over the patronage, policies and procedures that govern the Association; impacting members as a whole, not as individuals.

Given the fact that our Board is not involved in the analysis, pricing or decision-making process of any individual's loan; it is hard to see how one could conceive of a manner in which a conflict of interest could arise out of a normal business transaction with another member.

If FCA does see the potential for a conflict to arise in such circumstances, we would be interested in having a discussion in which those possibilities could be outlined.

The proposed new rules would have a significant impact on the willingness of people to serve as a member of the Board of Directors. The rules would prove to be a strong deterrent to serve this Association as a director for those who are actively engaged in an active agricultural business today. The burden to seek approval and/or report numerous transactions done in the normal course of business would prove to be a hindrance and an inconvenience; as well as an overwhelming task. One likely not deemed to be worth the effort, creating a disincentive to consider service to the Association.

Further, the establishment of a material or de minimus amount would be arbitrary as transactions today are often rather large. Thus, establishing a meaningful materiality threshold would require a high dollar amount that FCA may not find acceptable.

The fact is; the amount or size of the transaction is not a determinant as to whether or not a conflict of interest exists, especially when done in the normal course of business, given today's economics of agriculture.

If the rule is implemented as proposed, it would likely result in resignations from Farm Credit Boards, including ours. This would be the case as serving the Association would no longer be feasible if it meant compromising the ability to run their businesses day to day without seeking approval, post or prior, for each transaction that happens to occur in the normal course of business with another member. Also, the volume of reporting that would occur under the proposed rule would further serve as a disincentive to serve on the Board.

Many transactions, whether at a fixed price, or those subject to negotiation, may occur "on the spot". Deals are made quite often without fore-planning or fore-pricing. Is it reasonable to expect that our Board should call to seek prior-approval for these transactions before being able to consummate the deal? What happens if the SOC official is on vacation, or simply tied up on another phone call? Must that transaction be suspended until such time that the SOC official can respond. To complicate matters, the SOC official will generally not be a market expert on the cost of a tractor, supplies, etc. to determine if the price or the deal would constitute a conflict of interest.

In sum, the proposed rule is onerous, burdensome and impossible to comply with. And again, it would serve as a disincentive for an active producer to desire to serve on the Board.

The same argument is true for the outside directors, or agents, who operate a business in which they may offer services to our members. They cannot benefit an individual member and thus should not be prevented from conducting normal business with our members without having to report each transaction.

The goal is to have a talented and diverse Board which often may often be comprised of a mix of active and former business and agricultural professionals. The proposed, stringent requirements would eliminate those producers who are actively engaged in agricultural and business operations from considering running for Board seats, effectively limiting the pool to those who are no longer actively engaged. Is this what we desire as a System? We believe that those who remain actively engaged in agriculture are an essential component in ensuring an effective Board, as they are in touch with what issues producers are facing today and what our members are looking for in a lending institution.

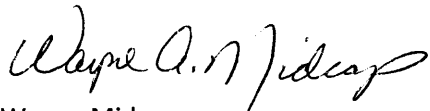
We are a small Association and do contend that it would have an economic impact on our operations, with no corresponding benefit. We are facing more competition than ever before from commercial banks, thus it is important that we contain costs and maximize competitiveness. Expenditures to employ a full-time Standard of Conduct official to comply with these new rules; given we do not have issues today, run counter to our mission and direct resources and attention away from managing our core business.

We do hope that this letter sheds light on the issues that would be created by reporting transactions in the normal course of business, especially given the fact that there is no corresponding benefit to doing so as our directors cannot provide benefit to our members on an individual basis.

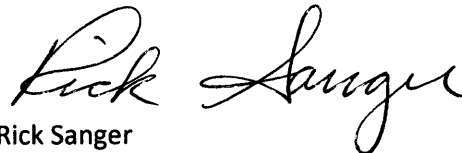
We would also offer our support and agreement with the full content of the response letters submitted by CoBank and the Farm Credit Council, as their remarks are in alignment with ours on the proposed rules.

In conclusion, we appreciate the opportunity to comment in regard and we ask for your consideration of amending the rule as requested.

Sincerely,



Wayne Midcap  
Board Vice-Chairman



Rick Sanger  
President and CEO